

WHITMAN COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. The County Should Strengthen Internal Controls Over Payroll

Our audit of the county's payroll system revealed the following internal control weaknesses:

- a. There is inadequate segregation of duties. The payroll clerk has the capability to add, delete, or change employee information.
- b. There is no review of the work performed by the payroll clerk.
- c. There is a lack of uniform payroll policies and procedures. Each department operates autonomously with regard to the type of time records utilized and the submission of time records to the payroll clerk.
- d. There is a lack of review of department head time records.

We consider the conditions cited above to be material weaknesses in the payroll internal control system. The lack of internal controls increases the risk that errors or irregularities may occur and not be detected in a timely manner, if at all.

We recommend the county take the following actions to strengthen internal controls over payroll:

- a. Segregate the personnel and payroll processing duties.
- b. Perform reviews of the payroll clerk's work.
- c. Establish written payroll policies and procedures that are uniformly applied to all departments.
- d. Require review of department head time records.

2. The County Should Properly Utilize Materials Inventory Control Accounts

Our audit of the county's equipment rental inventory system disclosed that control accounts are not being properly utilized. Without proper use of these accounts, the county is unable to reconcile differences between physical counts and recorded material account balances. The risk of undetected errors or irregularities is thereby increased.

The *Budgeting, Accounting, and Reporting System* (BARS) manual, the Access to and Accountability for Resources section, states in part:

. . . accountability for the custody and use of resources is to be assigned and maintained. Periodic comparisons shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset

A lack of accounting programs and procedures contributed to this condition.

We recommend the county take actions to properly utilize control accounts for materials inventory. Any difference between control account balances and physical counts should be investigated and explained.

3. The County Assessor Values Real Property Significantly Below True And Fair Value

During our audit of the assessor's office, we noted that the department of revenue indicated that the county had a 1994 real property ratio of 70.4 percent. This ratio was the aggregate of the following:

Real Property	73.68%
Current Use (Open Space) Improvements	67.73%
Current Use (Open Space) Land	63.77%

The ratio represents the Department of Revenue's comparison of assessed valuation and market valuation within the county. This has resulted in tax levy rates not being applied to \$409,930,130 worth of real property as detailed below:

	<u>Assessed Valuation</u>	<u>Market Valuation</u>	<u>Under Valuation</u>
Real Property	\$644,540,952	\$874,784,137	\$230,243,185
Current Use (Open Space) Improve.	80,729,920	119,193,740	38,463,820
Current Use (Open Space) Land	248,572,970	389,796,095	<u>141,930,130</u>
			<u><u>\$409,930,130</u></u>

The legislature has made the following declaration of policy regarding valuation of property for tax purposes:

RCW 84.41.010 - Declaration of policy. Recent comprehensive studies by the legislative council have disclosed gross inequality and nonuniformity in valuation of real property for tax purposes throughout the state. Serious nonuniformity in valuation exists both between similar property within the various taxing districts and between general levels of valuation in the various counties. Such nonuniformity results in inequality in taxation contrary to standards of fairness and uniformity required and established by the Constitution and is of such flagrant and widespread occurrence as to constitute a grave emergency adversely affecting the state and local government and the welfare of all the people.

Traditional public policy of the state has vested large measure of control in matters of property valuation in county government, and the state hereby declares its purpose to continue such policy. However, present statutes and practices thereunder have failed to achieve the measure of uniformity required by the Constitution; the resultant widespread inequality and nonuniformity in valuation of property can and should no longer be tolerated. It thus becomes necessary to require general revaluation of property throughout the state.

Under RCW 84.41.090, county assessors are required to value property in accordance with standards established by RCW 84.40.030 and department of revenue rules, regulations, and manuals.

RCW 84.40.030 states in part:

All property shall be valued at one hundred percent of its true and fair

value in money and assessed on the same basis unless specifically provided otherwise by law . . .

Failure to comply with these requirements may result in action by the department of revenue or the county prosecuting attorney.

RCW 84.41.120 provides in part as follows:

. . . Whenever it appears to the department of revenue that any assessor has failed to comply with any of the provisions of this chapter relating to his duties or the rules of the department of revenue made in pursuance thereof, the department of revenue, after a hearing on the facts, may issue an order directing such assessor to comply with such provisions of this chapter or rules of the department of revenue. Such order shall be mailed by registered mail to the assessor at the county court house. If, upon expiration of fifteen days from the date such order is mailed, the assessor has not complied therewith or has not taken measures that will insure compliance within a reasonable time, the department of revenue may apply to a judge of the superior court or court commissioner of the county in which such assessor holds office, for an order returnable within five days from the date thereof to compel him to comply with such provisions of law or of the order of the department of revenue or to show cause why he should not be compelled so to do. Any order issued by the judge pursuant to such order to show cause shall be final. The remedy herein provided shall be cumulative and shall not exclude the department of revenue from exercising any powers or rights otherwise granted.

RCW 84.08.030 provides in part as follows:

The department of revenue shall examine and test the work of county assessors at any time . . . and if it shall ascertain that any taxable property is . . . not assessed or valued according to law, it shall bring the same to the attention of the assessor of the proper county in writing, and if such assessor shall neglect or refuse to comply with the request of the department of revenue . . . to correct such incorrect assessment or valuation the department of revenue shall have the power to prepare a supplement to such assessment list, which supplement shall include . . . all corrections required to be made.

RCW 84.09.040 provides as follows:

Every county auditor, county assessor and county treasurer who in any case refuses or knowingly neglects to perform any duty enjoined on him by this title, or who consents to or connives at any evasion of its provisions whereby any proceeding herein provided for is prevented or hindered, or whereby any property required to be listed for taxation is unlawfully exempted, or the valuation thereof is entered on the tax roll at less than its true and taxable value, shall, for every such neglect, refusal, consent or connivance, forfeit and pay to the state not less than two hundred nor more than one thousand dollars, at the discretion of the court, to be recovered before any court of competent jurisdiction upon the complaint of any citizen who is a taxpayer; and the prosecuting attorney shall prosecute such suit to judgement and execution.

The failure to value all real property at its true and fair value creates an inequality in taxation, violates state law and may result in significant loss of annual revenue to the taxing districts of Whitman County.

We recommend that the Whitman County Assessor value all real property at 100 percent of its true and fair value in money and assess on the same basis. We also recommend that the Department of Revenue and the Whitman County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances.

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Schedule Of Federal Findings

1. The County Should Fully Integrate Grant Accounting

Our audit found that accounting for grant expenditures is not fully integrated into the general accounting system.

OMB Circular A-128, *Audits of State and Local Governments*, Paragraph 8.b(1) states in part:

In order to determine which major programs are to be tested for compliance, State and local governments shall identify in their accounts all Federal funds received and expended and the programs under which they were received

The *Budgeting, Accounting and Reporting System* (BARS) manual states in part:

1. Grant accounting must be integrated with a municipality's general accounting records

As a result of incomplete grant accounting integration, we were unable to trace grant expenditures directly to the Schedule of Federal Financial Assistance.

We recommend the county integrate all aspects of grant accounting into the general accounting system.